

Historic, Archive Document

Do not assume content reflects current scientific knowledge, policies, or practices.

4284.9
8/1
1/2

ASCS BACKGROUND INFORMATION

Agricultural Stabilization and Conservation Service
U. S. Department of Agriculture

BI No. 5

March 1972

PRODUCTION ADJUSTMENT PROGRAMS

As a part of commodity operations, programs to help adjust production and marketing of specified farm crops are currently carried out by the Agricultural Stabilization and Conservation Service, through its State and county offices, under authorities of the Agricultural Act of 1970, the Agricultural Adjustment Act of 1938, as amended, and the Sugar Act of 1948, as amended and extended through December 31, 1974.

The Agricultural Act of 1970, applicable through 1973, initiated a cropland set-aside approach for participating producers in the voluntary wheat, upland cotton, and feed grain programs (1971-73 crop years).

Designed to help farmers shift to a market-oriented agriculture, program goals include those (1) to give farmers more opportunity for decision-making on their farms; (2) to protect and improve farmers' income; (3) to keep agricultural production in line with anticipated needs, and (4) to put a greater reliance on the market place as the principal source of farm income.

Under the Act, marketing quotas and penalties are suspended for the for the 1971-73 crop years for wheat and cotton. As specified in the Act, feed grains include corn and grain sorghum -- and barley, if designated by the Secretary of Agriculture. Barley was not included in the 1971 program, but was included in the 1972 program.

The Act established a \$55,000 limit on the amount of payments a person could receive annually under each program. The payment limitation does not apply to commodity loans and purchases available to eligible program participants.

Participants in the voluntary wheat, upland cotton and feed grain programs who meet cropland set-aside and conserving base (farm cropland acreage devoted in preceding years to soil-conserving uses, as determined by the Secretary) requirements, can plant all of that particular crop he wishes on the farm's remaining acreage, with the total production eligible for loan and purchase.

In addition, an eligible producer in any of the three programs can plant any crop on the acres remaining after set-aside and conserving base requirements are met, except those governed by marketing quotas -- peanuts, rice, tobacco, extra long staple cotton, and sugarcane or sugarbeets when proportionate shares (acreage allocations) are in effect for sugar production.

In general, set-aside acres must be cropland which is at least equal in productivity to the average productivity of other cropland on the farm and be expected to produce a crop in the absence of a program. The determination of acreage eligibility rests with the ASC county committee.

If in any year a farm has at least 55 percent of total farm cropland in summer-fallow, the farm is considered to have met set-aside requirements.

In 1973, producers may graze set-aside acres put to cover crops and sweet sorghum may be planted for grazing purposes. However, a reduction in payment otherwise earned will be made if the producer elects to graze the set-aside acreage during the five principal months of the normal growing season.

All set-aside acreage put to conserving uses must be protected from erosion, insects, weeds, and rodents.

The Secretary may permit, subject to terms and conditions he determines necessary, castor beans, crambe, flaxseed, guar, mustard seed, plantago ovato, safflower, sesame and sunflower, or other commodities, to be grown on set-aside acreage -- if he determines that the crop production is needed to provide an adequate supply, is not likely to increase the cost of the program, and will not adversely affect farm income.

To assist in adjusting the acreage of wheat, upland cotton and the feed grains to desirable goals, the Secretary is authorized, if he deems it necessary, to permit producers to divert cropland acreage in addition to the set-aside requirement and to make payments on this additional land diversion at a rate he determines to be fair and reasonable -- taking into consideration the diversion undertaken by the producer and the productivity of the acreage diverted.

An additional payment may be provided by the Secretary, in an amount he determines to be appropriate in relation to the benefit of the general public, if the producer agrees to permit, without other compensation, access to all or any portion (as determined by the Secretary) of the farm by the general public for hunting, trapping, fishing and hiking.

The cropland set-aside requirements for the commodities specified in the 1970 Act are as follows:

The Feed Grain Program: A percentage of the farm feed grain base acreage as announced by the Secretary if he determines that the total supply of feed grains or other commodities will, in the absence of a set-aside program, likely be excessive -- taking into account the need for an adequate carryover to maintain reasonable and stable supplies and prices of feed grains, and to meet a national emergency. The feed grain base acreage for individual farms is based on the average feed grain acreage grown on the farm during 1959-60.

Set-aside payments for diverting the specified percentage of the corn or grain sorghum base will be equal to the difference between the national average price received by farmers during the first five months (October-February) of the marketing year and the announced per bushel national average guarantee.*

* Preliminary payments are to be made to producers, as soon as practicable after July 1 at a rate equal to 32 cents per bushel for corn, with comparable rates for grain sorghum and, if designated by the Secretary, barley. The payment shall not be reduced if the final rate determined is less than the preliminary payment.

Set-aside payments for a farm will be calculated on half the feed grain base acreage multiplied by the farm yield times the payment rate per bushel.

An eligible producer, one who complies with set-aside and conserving base requirements, can receive payments on half his base acreage, whether he plants feed grains or not.

However, for protection of feed grain base history, an eligible farmer must have planted for the 1971-73 crop years at least 45 percent of the base, or the base could be reduced up to 20 percent the following year. If no feed grain, or wheat or soybeans under substitution provisions as determined by the Secretary, is planted for three consecutive years -- or the base is not protected under specified program provisions -- the farm base is automatically lost.

Any feed grain base acres eliminated from a farm because of underplanting shall be assigned to a national acreage pool for the adjustment of feed grain bases the next year, as the Secretary may determine necessary under program provisions.

Under the crop substitution provisions, acreage planted to wheat above the wheat allotment will be considered planted to feed grains to prevent the loss of the feed grain base.

The Wheat Program: The set-aside requirement is cropland equal to an announced percentage of the farm domestic wheat allotment. The cropland set-aside is announced by the Secretary if he determines that the total supply of wheat or other commodities will, in the absence of a cropland set-aside, likely be excessive -- taking into account the need for an adequate carryover to maintain reasonable and stable supplies and prices, and to meet a national emergency.

The national domestic wheat allotment is determined by the Secretary as the number of acres which, on the basis of the estimated national yield, will result in the marketing certificates being issued to program participants in an amount equal to production for domestic consumption during the marketing year -- but not less than 535 million bushels (19.7 million acres in 1971).

The national allotment is apportioned to each State, county and farm on the basis of determinations and factors set forth in enabling legislation and adjustments announced by the Secretary.

Wheat marketing certificate payments, per bushel value, to eligible producers are made on the farm's domestic allotment multiplied by the established farm yield.*

An eligible producer, one who complies with set-aside and conserving base requirements, can receive certificate payments on his total domestic allotment, regardless of whether he plants wheat or not.

*Preliminary payments to producers are to be made as soon as practicable after July 1 in an amount equal to 75 percent of the estimated face value of certificates to be issued for the crop. The payment shall not be reduced if the face value of the certificates as finally determined is less than the advance.

However, for protection of domestic allotment history, a program participant must plant an announced percentage of the allotment or the allotment is reduced in subsequent years. If wheat, or feed grain or soybeans under substitution provisions, as determined by the Secretary is not planted for three consecutive years -- or the domestic allotment is not protected under specified program provisions -- the farm's wheat domestic allotment is automatically lost.

Under the crop substitution provisions, acreage planted to feed grains in excess of half the farm base will be considered planted to wheat to prevent loss of the wheat allotment.

The Cotton Program: The set-aside requirement is cropland equal to a percentage of the farm base acreage allotment as announced by the Secretary, but not to exceed 28 percent of the established farm base acreage allotment. The set-aside requirement is announced by the Secretary if he determines that the total supply of agricultural commodities will, in the absence of a set-aside program, likely be excessive -- taking into account the need for an adequate carryover to maintain reasonable and stable supplies and prices, and to meet a national emergency.

For the 1972 and 1973 cotton crops, if the Secretary determines prior to the planting season that the carryover of upland cotton at the beginning of the marketing year (August 1) will exceed 7.2 million bales, he is authorized for the particular crop year to limit the farm acreage planted to upland cotton in excess of the farm base allotment to such percentage of the allotment as he determines necessary to reduce the total supply to a reasonable level.

The set-aside payment rate to participating cotton farmers is equal to the difference between the higher of 35 cents or 65 percent of the parity price for upland cotton as of August 1, and the average market price for Middling 1-inch upland cotton, micronaire 3.5 through 4.9, in the designated spot markets during the first five months of the marketing year (August-December). In no event, however, can the payment rate be less than 15 cents per pound.*

Payment is made on the quantity of cotton determined by multiplying the acreage planted within the farm base acreage allotment by the payment yield established for the farm. If 90 percent or more of the allotment is planted, the entire allotment will be considered as planted for payment purposes. The farm payment yield is based on the actual yield per harvested acre for the three preceding years, adjusted for abnormal yield in any year caused by drought, flood or other natural disaster. There are, however, two exceptions:

- (1) the 1970 farm projected yield must be substituted for farm actual yields for 1969, and

* Preliminary payments to producers are to be made as soon as practicable after July 1 at a rate equal to 15 cents per pound. The payment shall not be reduced if the final payment rate is less than the preliminary payment.

- (2) the farm payment yield for 1972 will be not less than:
 - (a) the 1971 farm payment yield, if the total production for the farm in 1971 was at least equal to the 1971 farm payment yield multiplied by the 1971 farm base acreage allotment (the "expected production"), or
 - (b) the product of the 1971 payment yield multiplied by the ratio of the total actual production on the farm to the expected production.

In addition, an adjustment for weather abnormalities in the farmer's actual 1971 cotton yield was up to 90 percent of his 1971 payment yield, instead of the previous level of 80 percent.

The payment rate is increased 30 percent to producers on small farms with allotments of 10 acres or less, or on which the yield used in making payments times the farm base acreage amounts to 5,000 pounds or less. To be eligible for the increased small farm payment provision, the producer must (1) reside on the farm, and (2) derive his principal income from cotton produced on the farm. Payment is based on the producer's actual production within the poundage on which payment is otherwise made.

For protection of allotment history, a program participant must plant at least 90 percent of the established farm allotment, or the allotment is reduced in subsequent years. If upland cotton is not planted for three consecutive years -- or the base acreage allotment is not protected under specified program provisions -- the allotment is automatically lost.

Upland cotton producers who may not want to plant their full cotton acreage may release all or any portion of their allotment in any particular year to the county ASC committee for allocation to other farms in the county. If not used in the county, the acreage may be released to the State ASC committee for allocation to other farms in the State.

Producers also may file application with the county ASC committee for the transfer -- by sale or lease -- of cotton allotments, although allotments cannot be transferred to "non-allotment" farms. The county ASC committee determines if cotton allotments may be transferred to other counties within the State.

Marketing Quota and Acreage Allotment Programs

Acreage allotments, through apportioning to individual farms the national acreage considered desirable for planting to a field crop, provide a means of adjusting particular crop supplies closer to national needs. If acreage allotments alone are in effect, farmers who produce the commodity on acreage in excess of their farm acreage allotment are not subject to penalties on the "excess" production of the commodity, but they usually are not eligible for price support.

Marketing quotas are a means of regulating the production and marketing of commodities when supplies become excessive. A national marketing quota is the quantity of a particular commodity that, in general, will provide adequate and normal supplies. This quantity is translated into terms of acreage. The national acreage allotment is apportioned among States, counties and individual farms.

After proclamation of a national marketing quota by the Secretary, quotas are in effect only when approved by a two-thirds majority of producers voting in referendum.

When quotas are in effect, all producers who are not covered by specified exemptions are subject to monetary penalties on marketings from their excess acreage, if the acreage exceeds the farm allotment. Price support privileges are not usually extended to farms with plantings that exceed the allotted acreage.

Under a tobacco acreage-poundage program, in effect on flue-cured tobacco since 1965, poundage quotas as well as acreage allotments apply when the program is approved in referendum by producers. A poundage program is in effect for burley tobacco when approved in referendum by producers.

Under current commodity programs, marketing quotas are in effect for extra long staple cotton, peanuts, rice and most kinds of tobacco.

Legislative History Summary: The Agricultural Adjustment Act of 1933 provided for the reduction in the acreage or in the production for market, or both, of any basic agricultural commodity through agreements with producers, or by other voluntary methods, on the basis of rental or benefit payments to cooperators.

The designated basic commodities in the 1933 Act were wheat, cotton, field corn, hogs, rice, tobacco, and milk and its products. Subsequent amendments in 1934 and 1935 expanded the list to include rye, flax, barley, grain sorghums, cattle, peanuts, sugarbeets, sugarcane, and potatoes.

Acreage reduction programs under the Triple-A, however, were operated only for cotton, corn, peanuts, rice, tobacco, wheat and the sugar crops through the 1935 crop years.

In January of 1936, the Supreme Court handed down a decision in the Hoosac-Mills case which invalidated the production control programs of the Triple-A that were carried out through agreements and contracts between the Government and individual farmers and financed by processing taxes.

The Soil Conservation and Domestic Allotment Act, approved February 29, 1936, launched a program in March under which farmers were offered soil-conserving payments for shifting acreage from soil-depleting crops to soil-conserving crops. Soil-building payments for seeding soil-building crops on cropland and for carrying out approved soil-building practices on cropland or pasture also were offered.

Prewar: Surpluses and declining prices in 1937, particularly for wheat and cotton, put production needs back into sharp focus and, with active participation by farm leaders, the Agricultural Adjustment Act of 1938 was enacted on February 16, 1938. This Act, with many amendments, is still in effect.

The 1938 Act contained amendments which strengthened and broadened the Soil Conservation and Domestic Allotment Act, and provided for marketing quotas for tobacco, corn, wheat, cotton and rice.* Marketing quotas for peanuts were added to the Act in 1941.

The 1938 Act provided for acreage allotments to be proclaimed each year for the designated basic crops, except tobacco. Provision was made for marketing quotas also for any year if the supply of the commodity was excessive.

Acreage allotments and marketing quotas were used for cotton from 1938 to 1941, and for certain types of tobacco for 1938, 1940, and 1941. Acreage allotments, without quotas, were used for corn in the designated commercial corn area from 1938 to 1942. Acreage allotments under the agricultural conservation program were in effect for wheat in 1938, 1939, and 1940, and for peanuts and rice from 1938 to 1941. Quotas and allotments for wheat were proclaimed under the 1938 Act for 1941.

War Adjustments: With the beginning of World War II, the situation changed. While production of basic crops continued large, demand for most commodities far exceeded available supplies.

Acreage allotments for cotton were at first increased and then lifted entirely, together with allotments for corn, wheat and rice; marketing quotas were terminated for the 1942 crop of wheat and for the 1943 crops of wheat, cotton, fire-cured and dark air-cured tobacco and peanuts.

From 1943 to 1949, marketing quotas and allotments were not used as a part of the farm program except for certain kinds of tobacco, which were covered by special legislation during the war years.

Marketing quotas were proclaimed and approved for the 1948 crop of peanuts, but were later terminated because of the world shortage of fats and oils.

* The Agricultural Act of 1954 repealed the authority for marketing quotas for corn, but authority for corn acreage allotments was retained. Growers voted to end corn allotments in a referendum on November 25, 1958.

Postwar: From 1945 through 1970, acreage allotments only (marked "A") and marketing quotas, operating through allotments, (marked "M") were in effect for the basic crops as follows:

	1945	'46	'47	'48	'49	'50 ^{1/}	'51	'52	'53
Wheat.....						A	A ^{2/}		
Cotton (upland).....						M			
Cotton (extra long staple)									
Rice.....						A	A ^{2/}		
Peanuts.....				M*	M	M	M	M	M
Tobacco, major types....	M	M	M	M	M	M	M	M	M
Corn (in commercial counties).....						A ^{1/}	2/		

	1954	'55	'56	'57-'58	'59-'63	'64-'70	'71-'72
Wheat (for 1964-70 crops, effective only in commercial wheat States).....	M	M	M	M	M**	A	A
Cotton (upland).....	M	M	M	M	M	M	A
Cotton (extra long staple)	M	M	M	M	M	M	M
Rice.....		M	M	M	M	M	M
Peanuts.....	M	M	M	M	M	M	M
Tobacco, major types.....	M	M	M	M	M	M	M
Corn (in commercial counties).....	A	A	A ^{3/}	A	4/	4/	

* Terminated during year.

** Quotas on wheat voted out for 1963.

-
- 1/ In 1950, allotments were also in effect for dry beans and potatoes (commercial); corn allotments were effective only in the "commercial corn area" defined by law.
- 2/ For 1951, wheat and rice allotments were in effect for a time, but were terminated early in 1951; corn allotments were terminated before announcement of the actual allotment.
- 3/ Allotments used only in connection with price-support determination, superseded by larger "base acreages" for commercial corn-producing area.
- 4/ Growers voted to end corn allotments in a referendum on Nov.25,1958. A voluntary feed grain acreage diversion program was in effect for corn (with grain sorghum) in 1961, and for corn (with grain sorghum and barley) in 1962, 1963, and 1964. Barley was in the feed grain program in 1965 and 1966, not in 1967 or 1968, was included in the program again in 1969 and 1970, not in 1971, and was included in 1972.

Current Programs: Marketing quotas and acreage allotments are presently in effect for extra long staple cotton, peanuts, rice and most kinds of tobacco.

The Secretary is directed by law (the Agricultural Adjustment Act of 1938, as amended) to proclaim marketing quotas generally when supplies of the specified basic crop is excessive.

Two exceptions to this rule are (1) marketing quotas must be proclaimed each year for peanuts and extra long staple cotton, without regard to the supply situation; and (2) if quotas are once proclaimed for a particular kind of tobacco because of large supplies, legislation requires that quotas be proclaimed for 3 years for that kind of tobacco and that the amount of the quota for the first year of such 3-year period be announced. If tobacco growers have disapproved quotas for 3 years in succession, quotas which would be in effect within the 3-year period for which quotas were disapproved may not be proclaimed unless, prior to November 10 of the marketing year, one-fourth or more of the farmers engaged in production of such tobacco petition the Secretary to proclaim quotas.

The level of supply of the various basic crops at which marketing quotas must be proclaimed, and the dates of the proclamation and the referendum are as follows:

<u>Crop</u>	<u>Proclamation Supply Level</u>	<u>Proclamation Date</u>	<u>Referendum Date</u>
	<u>In excess of:</u>	<u>Not later than:</u>	
Cotton (extra long staple)	Proclaimed each year: supply does not govern <u>1/</u>	Oct. 15	Not later than Dec. 15
Peanuts	Proclaimed each year: supply does not govern	Nov. 30	Not later than Dec. 15
Rice	Normal supply	Dec. 31	Within 30 days
Tobacco	Reserve supply (normal supply plus 5%) <u>2/</u>	Dec. 1 (flue-cured) Feb. 1 (others)	Within 30 days Within 30 days

-
- 1/ Estimated domestic consumption plus estimated exports and stock adjustments, less estimated imports for the marketing year beginning on August 1 following the proclamation of the quota, but not less than the import quota in effect on August 1, 1967 (82,481 bales).
- 2/ Since quotas have been proclaimed previously for each major kind of tobacco, legislation requires that quotas be announced each year without regard to the supply level.

Quotas may not be used unless at least two-thirds of the eligible producers voting in a referendum approve their use. (Usually, an eligible producer is one who engaged in the production of the crop during the previous year.) Approval by "more than two-thirds" of the voters is required to put acreage-poundage tobacco quotas into effect.

For tobacco and peanuts, the vote is on quotas for 3 years; if growers vote disapproval of quotas, another referendum on 3-year quotas will be held the following year. For other crops, the vote is on quotas for 1 year.

Provision is made for increasing, suspending, or terminating quotas under certain demand and supply conditions, in the interest of consumers, or in national emergencies.

Quotas seek to limit the marketing of the commodity during the marketing year by placing penalties of so much per pound or per bushel on marketings in excess of the quota. The crop grown on the farm allotment acreage may be considered as the farm quota.

Under an acreage-poundage flue-cured tobacco market quota program, a farm's penalty-free marketing may be 10 percent more than the farm's effective poundage quota. Any marketings in excess of the farm's effective quota will be deducted from the quota for the following year; if less than the effective poundage quota is marketed in any year, the difference will be added to the farm's quota (both acres and pounds) for the following year only. (Price-support is available on the farm's penalty-free tobacco if the harvested acreage for the farm is kept within the acreage allotment)

A poundage program for burley tobacco was authorized by legislation approved April 14, 1971, if approved by at least two-thirds of the producers voting in referendum. This legislation provides for the establishment of farm marketing quotas for burley tobacco on a poundage basis rather than on an acreage basis. The burley poundage program was approved in referendum on May 4, 1971 for the three crop years 1971-73.

For the first year (1971) of the poundage program, farm marketing quotas were based on the average of each farm's four highest yields during the preceding five years, multiplied by 95 percent of the 1970 acreage allotment.

For subsequent years, farm quotas were to be adjusted as necessary to establish the quota in line with supplies on hand and anticipated demand.

For rice, the producer may postpone or avoid a marketing quota penalty by delivering the "excess" of the crop to the Secretary of Agriculture or storing it in accordance with applicable regulations.

If growers disapprove quotas, price supports for most marketing quota crops may be made available to producers who do not exceed their acreage allotments only at 50 percent of parity and to noncooperators at such levels, not in excess of the level for cooperators, as the Secretary determines will facilitate the effective operation of the program.

If tobacco quotas are disapproved, however, no price support is available for the particular kind and crop for which quotas were disapproved.

Sugar Program: The United States Sugar Program has a three-fold purpose:

- (1) to protect the welfare of those engaged in the domestic production of sugar
- (2) to provide U.S. consumers with ample sugar supplies at reasonable prices; and
- (3) to promote and strengthen the export trade of the United States.

The Secretary of Agriculture is required to establish proportionate shares (farm allotments) for sugarbeets or sugarcane of any crop in any domestic area if he determines that in the absence of restrictions the production of sugar from such crop would be greater than the quantity needed to fill the area quota and provide a normal inventory.

Farm allotments may be expressed either in acres, tons of sugarcane or beets, or quantity of sugar. Conditional payments are made to such producers, provided they keep their marketings within their proportionate shares and also do not employ child labor, pay fair and reasonable wages as determined by the Secretary to field workers and, if they process sugar crops for other producers, pay fair and reasonable prices as determined by the Secretary for such crops.

Long-Term Land Retirement Programs

Under Title VIII of the Agricultural Act of 1970, long-term land retirement programs, similar to the prior Cropland Conversion and Greenspan Programs, were authorized for the 1971-73 calendar years. Under Title VIII authority, payments could not exceed \$10 million annually for each program.

Prior Long-Term Land Retirement Programs: Contractual agreements on prior long-term land retirement programs remain in effect for the following programs:

The Cropland Adjustment Program (which included Greenspan), authorized in 1965, was offered on only a limited scale during 1966 and 1967, with agreements entered into for periods up to 10 years. The program supplemented the annual commodity acreage diversion programs and through Greenspan, provided for more open space and other recreational opportunities for urban areas. Specific incentives were offered to farmers if they shared their land facilities with the public (public access). Emphasis was given to the development of hunting and fishing areas through conservation practices designed to foster wildlife. Existing CAP agreements expire not later than December 31, 1976.

The Cropland Conversion Program, authorized in 1962, was offered on a pilot basis during the period 1963-67, with agreements entered into for periods up to 10 years. The program was designed to improve family farm income by helping farmers convert cropland, that primarily was used for the production of surplus row crops and small grains, to long-range income producing uses, such as forests, grass, water storage, wildlife habitat, or recreational facilities. Existing agreements under this program expire not later than December 31, 1975.

The Conservation Reserve Program, authorized in 1956 under the Soil Bank Act, provided for contracts with participating farmers for up to 10 years to take cropland out of production and to establish and maintain protective vegetative cover or other needed conservation practices, such as tree planting, water impoundments and wildlife conservation. The program was offered during the period 1956 through 1960. Mandatory extensions of some contracts were required because tree seedlings initially were unavailable for planting on all diverted acres. Only a few contracts remain in effect under this program, and they will expire not later than December 31, 1972.

Eligibility for participation in all programs administered by ASCS is established under law without regard to race, color, creed, national origin or sex.